

R. Maitland

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From Lord Lauderdale.

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PLAN

FOR ALTERING THE MANNER OF COLLECTING

LARGE PART OF THE PUBLIC REVENUE,

WITH

A SHORT STATEMENT

OF THE

ADVANTAGES TO BE DERIVED FROM IT.

John A. B. B. B.

PLAN

FOR ALTERING THE MANNER OF COLLECTING

LARGE PART OF THE PUBLIC REVENUE

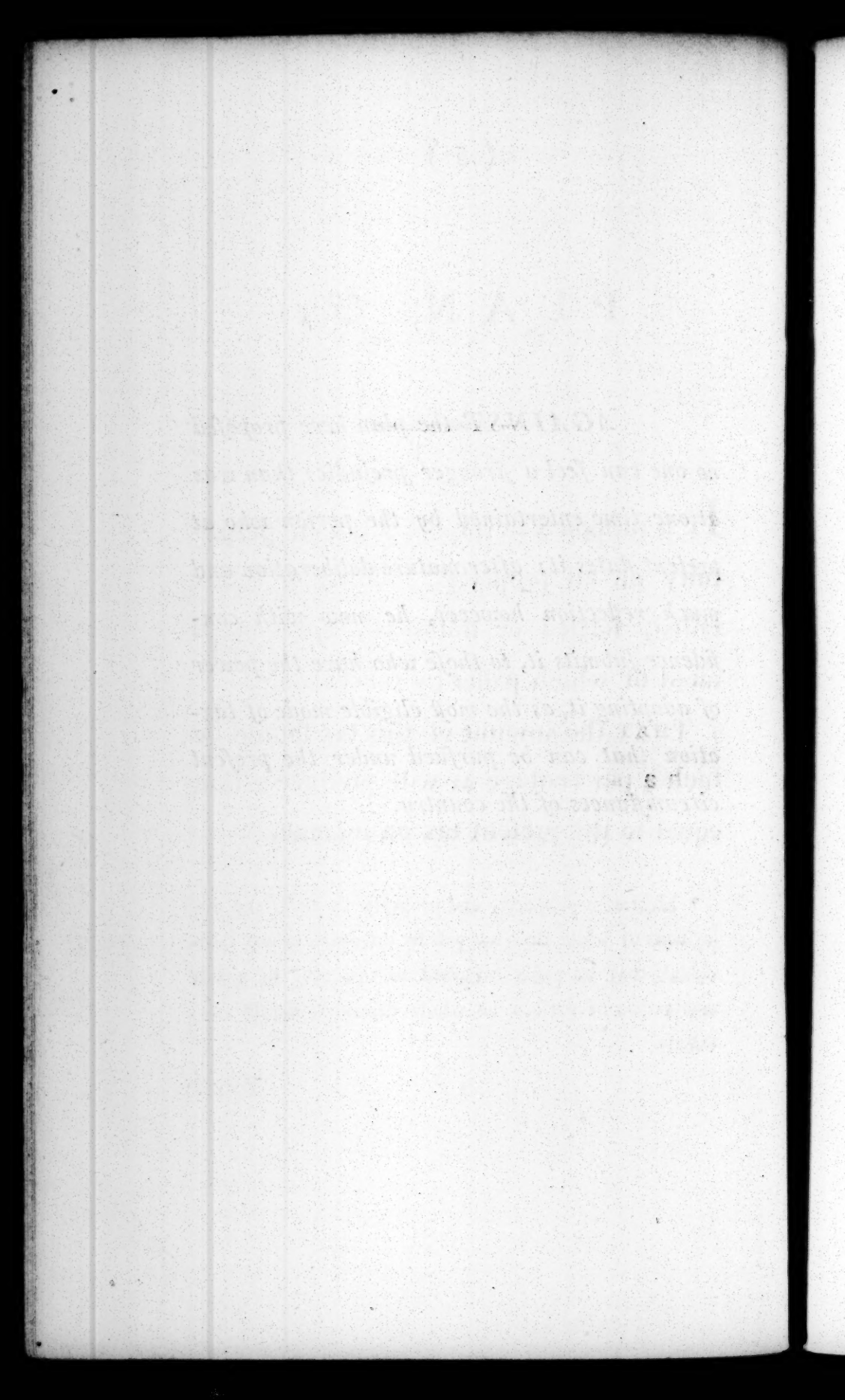
IN THE

UNITED STATES

OF THE

ADVANTAGES TO BE DERIVED FROM IT

AGAINST the plan here proposed no one can feel a stronger prejudice than was at one time entertained by the person who at present states it: after mature deliberation and much reflection however, he now with confidence submits it, to those who have the power of adopting it, as the most eligible mode of taxation that can be pursued under the present circumstances of the country.



P L A N, &c.

IT is proposed to impose a tax in perpetuity on all property, intailed or unintailed, settled or unsettled, the enjoyment of which passes by succession*.

THAT the amount of this tax should be such a per centage as will produce a sum equal to the present tax on income.

* Mortmain property, and property in trust, the enjoyment of which does not pass by the death of any individual, may be easily subjected to this tax, by a fair nomination of persons on whose demise it should contribute.

THAT the produce of it should be appropriated to the same purposes as the receipt of the tax on income.

THAT the act imposing it shall contain a provision, that whenever the objects are attained for which it is thus appropriated, there shall be appointed by ballot a committee of the House of Commons to report, 1st, On the amount of the contribution from which the public may be relieved. 2dly, On the description of taxes that appear to press hardest on the agricultural and manufacturing industry of the country.

THAT the produce of it shall be then appropriated to replace to the consolidated fund the deficiency created by the repeal
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of those taxes from which the wisdom of Parliament may have thought it most expedient to relieve the people.

THAT a committee be appointed, at the commencement of each session, to report on the amount of any increase in the receipt of the tax on succession, and on the existing taxes that it would be most expedient to diminish or do away.

THAT all such increased receipt shall be appropriated, in the first instance, to replace to the commissioners of the sinking fund, any sum or sums which they may have paid for redeeming 3 *per cents.* beyond £.75 for every £.100 3 *per cent.* stock redeemed.

THAT the surplus of the increased receipt shall be appropriated to replace to the consolidated fund the produce of such further taxes as it may appear to the wisdom of Parliament ought to be diminished or repealed.

THE advantages attending this proposal are shortly stated and explained under the following heads.

1st. THE tax, as proposed, on capital passing by succession, compared with the general classes of taxes in point of expediency, as well as in respect of principle.

2dly. THAT

2dly. THAT there is no tax can be devised which will be attended with so little of real grievance.

3dly. THAT there is no tax which infures so great an increase of revenue from the augmentation of our wealth as the proposed tax. And that the prospect of increased receipt from this tax seems to promise means sufficient to accomplish the objects for which it is, according to the proposal, to be appropriated.

4thly. THAT the tax on succession will form a substitute for the tax on income without being liable to any of the objections incident to all taxes on income.

5thly. THAT at the conclusion of the war the tax on succession will, by enabling
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bling us to arrange our revenues, and reduce our other taxes, secure a permanency of peace, and empower our merchants to contend in foreign markets with a nation who will be as formidable a rival in peace as in war.

the augmentation of the proposed tax. And that the prospect of increased receipt from this tax seems to promise means sufficient to accomplish the objects for which it is, according to the proposal, to be appropriated.

Reply. That the tax on succession will form a substitute for the tax on income without being liable to any of the objections incident to all taxes on income.

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FIRST

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The Tax as proposed on Capital passing by Succession, compared with the general Classes of Taxes, in Point of Expediency, as well as in Respect of Principle.

THE revenue of a state, raised by taxation, is the price of the protection which the government of a country affords to the subject. To the extent of what may be fairly levied by taxes, there can therefore be no limitation, provided the value of the protection afforded is adequate to the amount of the contribution collected.

It is, however, the most important duty of a government to draw from the subject the necessary supply in the manner the fairest and the

least

least oppressive. A task, the difficulty of which appears to increase with the extent of the sum to be raised. How this is to be effected, is a question which has undergone much discussion in this country. The large revenue which our debt has long rendered necessary, made it early an object of attention ; and there is no subject has given rise to a greater variety of opinions. Of late the most general and popular speculation has been in favour of taxes on consumption. The advocates for this system of taxation pretend that money is thus drawn into the Exchequer out of the pocket of the subject without his perceiving it. They have even gone so far as to state, that every extension of this species of tax creates a new ability in the subject to defray it. That when a tax is laid upon goods consumed by the common people, it is a more probable consequence, and oftener follows

follows that the poor increase their industry, so as to add to the wealth of the country, and create a fund for defraying it, than that they retrench their living to their own and the public detriment, or raise their wages so as to make the burthen fall upon the rich. It has been said too in favour of taxes on consumption, that they are in some measure voluntary, as a man may chuse how far he will use the commodity which is taxed.

BUT these speculative advantages have been generally thought to be more than counterbalanced by the extreme expence attending the levying of taxes of this nature, and by the severe restraints on trade as well as liberty, which the collection of them renders necessary, and it has been urged with truth that, to the destruction of foreign trade, taxes on consumption occasion a great enhancement in the price of
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commodities, and draw from the pocket of the subject a much larger sum than what is paid into the Exchequer*.

It appears, however, that much may be with justice said in favour of taxes on consumption in a country where small and moderate revenue is to be collected from a people in a state of increasing prosperity. But those who are disposed to admire this system the most, can hardly think that in this country, where it has been already pushed so far, it can now with prudence be adhered to as a means of supplying so large an additional revenue as we require, when we attempt to raise a war supply without borrowing.

* This proposition is illustrated at length in the case of the leather tax, by Sir M. Decker, in his Essay on the Cause of the Decline of Foreign Trade.

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To levy so extensive a sum taxes laid directly on possessions must be resorted to, and here again there has been a variety of opinions concerning the manner in which such a tax should be imposed. Some have thought that as the produce of the earth was the only real source of wealth, so it ought to be the only subject of taxation; they have defended their opinion by maintaining, that whether the taxes are imposed on commodities, or on the profits of the industrious, they must ultimately fall upon the proprietor of land *, and that they would be less burdensome if imposed directly, than when

* These opinions have been held by Mr. Locke, in his *Considerations of the Consequence of the lowering of Interest and raising the Value of Money*;—by Mr. Apgill, in his *Affertions* proved, in order to create another species of money than gold and silver;—by Jacob Vanderlint, in his *Essay to make Money plentiful*;—and more recently by Quesnay, Mirabeau, and the whole Sect of Economists.

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they come to be thus circuitously paid. They have argued, that taxes, if they could be imposed on the wages of industry, are neither expedient nor just; that they are inexpedient, because they discourage those exertions on which the general progress of national opulence depends; that they are unjust, because neither the labourer nor the artist derive any peculiar advantage from the protection of one state, which they would not possess under another, whilst the country in which they live is continually benefiting by their exertions. The labourer, it is said, can by his labour anywhere secure his subsistence, and neither the security nor the excellence of the government under which it is executed can add value to the works of the artist.

IN opposition, however, to these opinions, there are others who contend, that there could

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be nothing more unjust than to select land as the sole object of taxation.

THAT there is but one mode in which he who cultivates land can acquire wealth. That there are many in which he expends it. The advocate, the physician, the priest, the artist, the foldier, all sell to the landed proprietor their advice and assistance, and live sumptuously by their industry. They deny that taxes on commodities, or on the profits of the industrious, fall ultimately upon land. They admit that every man is desirous of pushing off from himself the burden of any tax that is imposed, but as all have the same inclination, and are acting upon the defensive, they hold it impossible that the landed proprietor should be the sole victim. From these considerations, some have become advocates for a poll-tax; others, with greater accuracy, have been led to infer, that a tax on

possessions ought in equity to be laid upon what each has to enjoy, from whence they have concluded in favour of a tax on income.

FORTUNATELY, however, it is unnecessary to enter into any discussion of the comparative merits of these abstract speculations to assert the superior expediency, as well as soundness of principle, of the tax on capital passing by succession.

THESE opinions are shortly detailed for the sole purpose of shewing that the tax on capital passing by succession avoids the objections that may be urged against any of these general systems. Whilst it draws a supply not from property indiscriminately, but from that peculiar description of property, which justice and expediency concur in pointing out as the most proper source of contribution.

1st. THE tax on succession can neither fall upon the landholder, nor upon any other person, in such a manner as to draw from him more than the government actually receive.

2dly. IT cannot fall exclusively on either land or any other species of property.

ALL property will contribute exactly in proportion to its amount, and that on an event which in the course of years must recur as often with regard to one lot of property as another.

3dly. IT never can affect the improvement any man makes in his fortune, by which the state in some instances benefits as much as himself, because it never can subject any property to contribution as long as it possesses the character of being the produce of the proprietor's industry.

4thly, WHILST, for the purpose of maintaining the law, government and constitution

of the country, it is the principle of other taxes laid directly on possession, to levy an equal share of all property without distinction, it is exclusively the principle of the tax on capital, passing by succession, to discriminate, and to subject to equal contribution that property alone which every man derives from the law and constitution that is thus to be protected, which, under the laws of some countries, he would have been deprived of; and of which, under that of others, he would have possessed a very different share.

SECOND.

SECOND.

That there is no Tax can be devised which will be attended with so little of real Grievance.

OF all taxes this must, from its nature, be attended with the least real hardship.

TAXES in general take from the subject on whom they are imposed, not only what he had the reasonable expectation of enjoying; but, what is a grievance of a much more serious nature, they deprive him of those comforts and conveniences which he has long had the habit of enjoying.

Now this tax can in no instance give rise to such a complaint; it can alone be accused of depriving men of what they might have

expected to enjoy: and after it has been for some time established, it cannot even be deemed productive of this hardship: For if those who form the expectation will regard themselves as of right entitled to property, the acquisition of which depends on express conditions, the disappointment must be imputed to themselves, and not to the laws dictated by a regard for the welfare and protection of their country.

PERHAPS this simple mode of considering the subject is alone sufficient to impress a conviction of the truth of the position, that there is no tax can be devised which will be attended with so little of real grievance as the tax on succession; but a more extended examination can only tend to enforce it.

THE methods of acquiring property have been considered by lawyers under the two
general

general heads of purchase (*perquisitum*), and descent (*hereditas*); the one descriptive of the man who takes or acquires property, in the first instance, by his own or another man's act; the other of him, who takes or acquires property of an ancestor, immediately upon his decease, by act and operation of law. Whoever acquires property by purchase, must do it by prior occupancy, by emption, or by gift. His right to it is founded in the law of nature, and is only strengthened and confirmed by those civil regulations which owe their origin to the formation of society.

BUT the right of inheritance is purely of civil institution—" *Hæres est nomen juris*," was a maxim of the Roman law, the truth of which, it would be easy to shew, is confirmed by features in the municipal laws of all coun-

tries, as well as by the authority of the most eminent lawyers *.

* Wills and testaments, rights of inheritance and succession, are all of them creatures of the civil or municipal laws, and accordingly are in all respects regulated by them; every distinct country having different ceremonies and requisites to make a testament completely valid: neither does any thing vary more than the right of inheritance under different national establishments. In England, particularly, this diversity is carried to such a length, as if it had been meant to point out the power of the laws in regulating the succession to property, and how futile every claim must be that has not its foundation in the positive rules of the state. In personal estates, the father may succeed to his children; in landed property, he can never be their immediate heir, by any the remotest possibility: in general, only the eldest son, in some places only the youngest, in others all the sons together, have a right to succeed to the inheritance: in real estates, males are preferred to females, and the eldest male will usually exclude the rest: in the division of personal estates, the females of equal degree are admitted together with the males, and no right of primogeniture is allowed.—*Black. Comment.*

“ AND

“ AND if (says a learned author), without
 “ being thought guilty of refinement, we may
 “ resort to the first elements of civil society,
 “ for the reasons on which the right of suc-
 “ cession is grounded, they seem to be two;
 “ and neither of them has any relation to the
 “ children. One, that when those things, in
 “ which a man had gained property for his
 “ subsistence, ceased to be his in the course
 “ of nature, the nearest relation should in-
 “ herit and take possession, lest the eagerness
 “ to contend about succeeding to them might
 “ turn the state of civil society into a state of
 “ war. And hence the rules of descent have
 “ been extended in so many countries, to take
 “ in the remotest kindred of the first occu-
 “ pant or purchaser. The other, that when
 “ every individual gave up natural rights, as
 “ the protection of society was due to him,
 “ for

“ for submitting his own revenge to public
 “ justice; so this right of transmitting pro-
 “ perty was conferred upon him as a recom-
 “ pence, for pursuing his private advantage,
 “ subordinately to the good of society, and
 “ to make the advantages, so acquired, more
 “ permanent than in a natural state, by ex-
 “ tending the enjoyment to representatives, as
 “ it were, beyond the bounds of nature.”
 Thus “ transmission by descent, or acquiring
 “ by inheritance, is that act of positive and
 “ civil law which prevents the property of
 “ the deceased from reverting, as it would
 “ do in a state of nature, to the common
 “ stock.”

IF these observations of Mr. York's are
 founded in truth, and in the profound know-
 ledge of law, which the son of Lord Hard-
 wick was supposed to possess, it undoubtedly
 follows,

follows, that there is less hardship in giving that property to a man conditionally, and subject to the payment of a tax for the maintaining of those laws, and the defence of that society, that confer it, than in taking part of that to which, independant of civil institution, he has a natural right: For if the course of descent owes its institution to reasons which solely regard civil society, it seems that reasons of the same public and general utility might even account for the total interruption of it*; far more, then, must they justify, without

* “ The principle which, as I have shewn, first generated the introduction and sanction of executory devise, and afterwards limited and controuled it, was general convenience; or, to use Lord Kenyon’s words, general utility. Such a principle imports, that to apply the permission of executory devise against general convenience, against general utility, is an abuse of the permission.”—See *Hargrave’s Argument in the Tbelluffon Case*.

leaving

leaving any formidable ground of complaint, such a variation as the tax on succession would occasion.

PERHAPS this view of the subject might authorise an opinion that a tax on succession cannot be considered, with justice or propriety, as in any degree a grievance: for there can be no hardship in the communities retaining, for reasons of public and general utility, a part of that which would have naturally reverted to the common stock, had not reasons of the same nature instituted the right of inheritance. Or, to use the words of the learned person already quoted, it cannot appear a great grievance “ that the society which has from favour and “ positive institution conferred a right to “ transmit property to heirs, should confer “ such favour upon its own terms.”

THIRD.

THIRD.

That there is no Tax which insures so great an Increase of Revenue from the Augmentation of our Wealth as the proposed Tax ; and that the Prospect of increased Receipt from this Tax seems to promise Means sufficient to accomplish the Objects for which it is, according to the Proposal, to be appropriated.

EXPERIENCE shews us, that the growing wealth and prosperity of the state has uniformly increased; in a certain degree, the produce of all taxes, except those which, being levied according to a fixed canon (such as the land-tax in England), admit of no variation. The system of taxation that has been pursued in
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this country, has indeed given us more experience of the effects of increasing opulence in augmenting taxes on consumption, than we can have of its effects in increasing the produce of any other tax; but it is obvious that, as the increase of consumption will be generally directly proportioned to the means of consuming, that is, to the income of individuals, so the augmentation of wealth must increase taxes on income, and taxes on consumption, nearly in the same degree. It is apprehended, however, that the tax on capital, passing by succession, will augment in its produce with the growing wealth of the country, in a ratio far beyond what can be expected either from taxes on income or consumption, or indeed from any other tax.

To make this position clear, let us suppose a country in a given state of improvement,
possessing

possessing a cultivated territory, and a capital embarked in various speculations of manufactures and trade to the extent of fifty millions; let us further suppose that this country is placed by warfare, or other calamities, in such a situation that the market-rate of interest shall be five and a quarter per cent. and the price of land about twenty-five years purchase; and let us then consider what augmentation an increase of the capital of the country to the extent of £.10,000,000 would probably occasion in the produce of a tax on articles of consumption or on income, and likewise what would be the augmentation occasioned by a similar increase of the capital in the produce of a tax on capital passing by succession.

I. TAX ON INCOME.

AT first sight it appears a natural inference, that the additional produce, which a tax on income would derive from £. 10,000,000 increase of capital might be ascertained by adding a fifth of the produce which the tax drew from the fifty millions capital the country possessed at the time it was imposed. But this would soon be found completely fallacious. The introduction of £. 10,000,000 additional capital must of itself alter those circumstances in the country, which, at the time the tax was originally imposed, had raised the market-rate of interest to $5\frac{1}{4}$.

It might, perhaps, be shewn, that if there was no variation in the demand for the use of capital, the sixty millions could produce no more income than the fifty millions did formerly,

merly, and that of course the tax would not be increased at all.

BUT without entering into this discussion, it is sufficient to observe, for the purpose of the present comparison, (what cannot be denied) that an addition of £.10,000,000 to the former £.50,000,000 would occasion, by competition, a diminution of the rate of profit or interest produced by the whole £.60,000,000, such as makes it impossible not to perceive we should over-rate the effect of the additional capital of £.10,000,000 in increasing the produce of the tax on income, if we calculated on receiving from that circumstance even a fifth of what the tax antecedently drew from the capital of fifty millions.

II. TAX ON PROPERTY PASSING BY SUCCESSION.

FROM the addition of £. 10,000,000 to the capital of the country, the treasury must obviously receive, as the produce of a tax on property passing by succession, one-fifth more than it antecedently drew from the capital of fifty millions, which the country possessed when it was imposed. But this is by no means the principal ground of increased receipt, which such an augmentation of capital will occasion.

AN addition of £. 10,000,000 to the capital must, by competition, inevitably lower the market-rate of interest, it must of course increase the value of the vested capital antecedently existing in the country, of which the government receives a share, as it passes by succession.

FOR

For example—If such an addition of capital should lower the market-rate of interest from $5\frac{1}{4}$ to 4 *per cent.* it would of course raise 3 *per cents.* from £.57 $\frac{1}{8}$ to 75 *, which must increase the receipt of the tax nearly eighteen pounds upon every hundred 3 *per cents.* that fell to the state.

THE price of land, by such a diminution of interest, would be in like manner increased; if from twenty-five to thirty years purchase, it is obvious that such an increase of capital would occasion an augmentation of that part of the tax which arose from the share of the land, that fell to the public, of no less than one fifth.

THE price or value of all other fixed or vested capital must also increase; if, to the extent of one-sixth, the Treasury must, from

* Money vested in the three per cents. at 57 $\frac{1}{8}$, produces an interest of $5\frac{1}{4}$ per cent. and at 75 an interest of four per cent.

this source, acquire a further sum equal to one-sixth of what the tax on succession antecedently derived from the share of that species of property which was subjected to it.

THUS it appears, that an acquisition of ten millions of additional capital would not produce, either through the medium of a tax on consumption, or a tax on income, an improvement in revenue equal to one-fifth of the antecedent produce derived from the income of the fifty millions. Whilst, on the other hand, the produce of a tax on capital, passing by succession, would be increased by the addition of ten millions capital.

1st. IN a sum equal to one-fifth of what it antecedently produced from the £.50,000,000 capital.

2dly. IN a sum which will be great in proportion to the increased value of the *3 per cents.* and other public securities.

3dly. IN

3dly. IN a sum proportioned to the increase of the value of the landed property of the kingdom.

4thly. IN a sum, the amount of which will be proportioned to the augmentation of the value of every other species of fixed or vested capital.

THE principle on which the national prosperity thus increases the produce of the tax on succession, in a *ratio* far greater than it can that of any other tax, is to be discovered in the constant and uniform effect that an increase of the capital of a country, in proportion to the demand for it, must produce in augmenting the value of all fixed capital, that is, in augmenting the value of all capital placed in such a manner as with certainty to secure an income.

NEITHER fixed capital, nor any other commodity, possesses a real, invariable, or intrinsic value. The possession of no quality, however important to the welfare of man, can confer on any commodity value; for water, the most useful and necessary of all things, seldom possesses it. We daily experience alterations in value produced, independent of any change in the nature of commodities themselves; nay, it happens that the value of commodities diminishes at a time when they possess, in a superior degree, the qualities in which their own excellence consists*.

To ascertain the nature of value, and the circumstances on which its variations depend, is perhaps one of the most interesting points in

* The value of grain is one year much less than another, and the quality is sometimes, nay generally, found to be best the years its value is most diminished.

the whole science of political œconomy *.

But without entering into this discussion at large,

* The opinions here advanced, concerning the nature of value, undoubtedly differ from those stated in that respectable and popular authority, *The Wealth of Nations*. In the last century Mr. Rice Vaughan announced labour as the only real measure of value; and Dr. Smith seems to have wrote with a resolution of establishing this opinion. He had too much acuteness not to perceive that as nothing can be a real measure of length or quantity which is subject to variation in its own dimensions, so nothing can be a real measure of the value of other commodities which is continually varying in its own value; he therefore smooths over this difficulty, by boldly stating (vol. 1. p. 39. 4to ed.) “ That labour alone, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared.” Having thus qualified labour to sustain the character with which he seemed resolved to dignify it, he, with still greater boldness, trusts, throughout the rest of his work, to the want of memory or attention in his reader. For in a variety of passages he remarks on the variation in the real

large, it is, on this important subject, sufficient for the present purpose to submit the two following maxims, which may be deemed invariable.

1st. THAT an increase in quantity, the demand remaining the same, must diminish the value; and a diminution of the quantity, the demand remaining the same, must increase the value of every commodity.

2dly. THAT an increase in the demand, the quantity remaining the same, must augment the value, and a failure of demand, the quan-

value of labour, and even explains the principle on which it is produced; thus exhibiting to those who recollect his argument the absurdity of stating the variation, and the reasons of the variation of what his theory forces him to declare invariable. In proof of this, the reader might with a little industry be referred to a great variety of passages, but those that at present occur appear sufficient; vol. I. p. 94, 95, 142, 251, 306; vol. II. p. 484, 4to ed.

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city remaining the same, diminish the value, of every commodity.

Now the propensity of an increase of capital, to augment the value of all fixed capital, is a consequence directly flowing from these two incontrovertible maxims, which establish the degree of value of all commodities to be dependant on the proportion betwixt the demand for them, and the quantity of them. The use of capital to man, is to acquire an income; an augmentation of it must of course increase the demand for those situations in which it can be so vested as to secure a revenue. Such an increase of demand must, however, alter the proportion betwixt the sum total of the situations in which it can be employed so as to secure an income, and the demand for them in such a manner as to increase the value of these situations. But the value of a situation
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in which capital can be so vested as with certainty to acquire an income, is, in other words, the value of fixed capital; it follows, therefore, that all augmentation of capital must invariably increase the value of the fixed capital of a country.

OF the rapidity with which an increase of capital produces this effect, we have had, during the present century, great experience; but a few years elapsed after this country had been exhausted by the wars of King William and Queen Anne, till an income of £.5 *per annum*, in a 5 *per cent.* fund, rose to be worth upwards of £.100; so that in the year 1717, the money that had been borrowed on extravagant terms, in the moment of distress, was paid off by a fund of this sort, which occasioned an annual saving to the public of £.324,455 10s. 10½*d.*

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THE further progress of the same principle, at an early period, rendered the prospect of possessing £.4 *per annum*, in a 4 *per cent.* fund, in the year 1727, a more desirable object than the prospect of receiving, in the same year, £.100. Arrangements were accordingly made, by which such a proportion of the national debt was discharged by a 4 *per cent.* fund as secured for the public, in the year 1727, a further saving of £.377,381 9s. 4 $\frac{1}{4}$ d. *per annum*.

At a more recent period the value of £.3 *per annum*, in a 3 *per cent.* fund, came, by the further operation of the same cause, to be preferable to £.100 in money. And a great part of the existing national debt was paid off by the gradual introduction, betwixt the years 1750 and 1757, of a fund of this nature;
from

from whence the public benefited in a sum of no less than £.565,134 6s. 8½d. *per annum*.

THE principle, therefore, upon which the superiority in the productive powers of the tax on succession rests, is neither speculative nor ideal—it is confirmed by experience; and though no financier has hitherto resorted to the tax on succession *, the most perfect and only constant means by which the public may derive benefit from the gradual augmentation of the value of capital, during the whole progress of national prosperity, yet the nation, by taking advantage from time to time in this

* There exists at present in this country taxes on probates of wills and legacies, imposed at various periods during the century; but none of these proceed on the principle of levying a proportional assessment on all property; most of them partake of the nature of a receipt tax, or stamp on deeds; and the most considerable confines itself to collateral succession, to personal estate.

more

more imperfect method of the effects it has produced, have, on three different occasions, made most important and beneficial arrangements, from which it appears the public have profited, by the acquisition of an annual revenue, to the extent of £.1,266,971 6s. 11½d *.

FROM

* *REDUCTIONS which have taken place in the Interest of the public Funds at various periods.*

	£.	s.	d.
Reduced interest of various funds, from			
6 to 5 per cent. anno 1717, -	324,455	10	10½
Reduction by the bargain with the			
South-Sea Company, from 5 to 4			
per cent. commencing Midsummer,			
1727, - - -	339,631	3	10
Reduction on part of the debt due to			
the Bank at ditto, in consequence of			
a separate agreement, exclusive of			
the four millions purchased from			
the South-Sea Company -	37,750	5	6¾
	<hr/>		
Carried forward	701,837	0	3½
	<hr/>		
	Brought		

FROM the moment, however, the tax, as proposed, on succession, is adopted, the benefits arising to the public treasury from national prosperity will no longer be, as heretofore, contingent or occasional; for the increase of our capital, after this tax is imposed, can produce no augmentation either in the value of land, in the value of the funds, or in the value of any other fixed capital, without the revenue's constantly deriving a proportional benefit from

	£.	s.	d.
Brought forward	701,837	0	3 $\frac{1}{4}$
Various annuities, reduced from 4 to 3 <i>per cent.</i> at different periods, from December 1750 to ditto 1757, in- cluding only the annuities sub- scribed, or afterwards admitted,	544,134	6	8 $\frac{1}{4}$
£.2,100,000 borrowed, at 3 <i>per cent.</i> to pay certain unsubscribed 4 <i>per cent.</i>			
South-Sea Annuities, - -	21,000	0	0
	<hr/>		
	1,266,971	6	11 $\frac{1}{4}$
	<hr/>		

it;

it; a circumstance which appears infinitely desirable, when we reflect, that if we do not secure the aid of such a defence as the tax on succession affords, the rise thus produced in the value of fixed capital is the thing of all others which operates most powerfully against the interest of the public treasury, by increasing the value of the annuities on which the nation has borrowed money in times of distress, and thus retarding the operation of the sinking fund in the reduction of our debt.

It is indeed one of the chief excellencies of the tax on succession that against this evil it affords a compleat defence; all augmentation in the value of the funds must, according to the maxims that have been stated, be attended with a proportionable increase in the value of land, and of all other fixed capital; whilst the public therefore are suffering as heretofore by the increasing

creasing value of the funds, the revenue will be enabled to counter-act the injurious effects of this rise; not alone by the augmentation it receives from the increased value of the share of funded property that may fall to it, for it will acquire great additional power from the increased produce it must derive from the advanced value of land and other fixed capital.

It must be observed too, that the treasury can alone be defended against this evil arising from the augmentation in the value of public securities by the tax on succession, or by means (if such can be devised) which, like the tax on succession, extends the funds to counter-act it in proportion to the degree in which the evil exists; for though it is true that 3 *per cents.* might now be purchased up at $57\frac{1}{8}$, and other funds proportionably low, yet, if the nation could command the money, but a few millions

millions could be expended till the demand would be so increased in proportion to the quantity of that annuity, that the mischief would be carried to its utmost extent by raising 3 *per cents.* to par.

WHAT proportion of the increased receipt of the tax on succession it may require to replace, as proposed, to the sinking fund, all sums which it may expend, in redeeming 3 *per cents.* at a higher price than £. 75 may at present be difficult to ascertain; but should this appropriation even exhaust one half of the increased receipt, there must remain such a sum as will afford an opportunity of giving gradually great ease to the subject by the reduction of taxes.

THUS it appears, that by means alone of the improved receipt, which prosperity would create in the tax on succession, there are substantial

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reasons

reasons for believing that we might, at once, secure for the public the repeal of our most oppressive taxes, as well as the benefit of facilitating the redemption of the debt, by enabling the commissioners of the sinking fund at all times to acquire 3 *per cents.* for no more than £.75; a circumstance which will occasion the redemption of the whole of our debt, by the present sinking fund, in much less time than it would otherwise effect it*.

BUT

* By this arrangement the operation of the sinking fund in redeeming the debt will be accelerated in two different ways—1st. To redeem a given quantity of 3 *per cents.* it will have less to pay.—2dly. It will be for a certainty enabled to accumulate at the rate of 4 *per cent.* instead of accumulating at the rate of 3 *per cent.* which would be the case if 3 *per cents.* were redeemed at one hundred. And it is to be observed, that one million of money,

BUT this arrangement will most probably still further accelerate the operation of the sinking fund, as from the additional quantity of 3 *per cents.* it will early take out of the market, it must, by diminishing the quantity in proportion to the demand, raise the value of a 3 *per cent.* fund to above par, sooner than could otherwise be expected, which of course will enable the government to perform at an earlier

money, improved at 4 *per cent.* compound interest, will accumulate to one hundred and fifty millions in forty-nine years and three quarters; and one hundred and fifty millions will redeem two hundred millions of 3 *per cents.* at seventy-five; which, according to the proposed arrangement, is the highest price the sinking fund can ever pay. But a million of money improved at 3 *per cent.* compound interest, will not amount to two hundred millions in less than sixty-six years, and it will require two hundred millions in money to redeem the same quantity of 3 *per cents.* at par, that one hundred and fifty millions redeems at seventy-five.

period the old and advantageous operation of reducing the interest of the funds bearing 5 and 4 *per cent.*

SUBSTANTIAL as these benefits are, it is no small recommendation to the plan, that they will cost the subject nothing, for though the increased produce of the tax will create ample funds for the treasury, yet it is nevertheless true, that the subject will be a gainer by the increase in the receipt of the tax which the national prosperity occasions. For if we regard the income of the person subjected to this tax, the diminution of it, notwithstanding the increased payment, will be exactly the same as it would have been before the augmentation of the receipt took place. And if, on the contrary, we look at the situation of his fortune or capital (on the supposition that the ratio of the tax should be 10 *per cent.*) his means must at all times
augment

augment in a sum amounting to nine times as much as his increased payment to the tax.

For example, let us suppose that a man dies in possession of one hundred *3 per cents.* the value of that stock being *50l.* a tax of *10 per cent.* will deprive his successor of an income of six shillings per annum, it will leave him with a capital remaining of *45l.* and the public will derive a sum of *5l.* for the revenue. But if the increasing prosperity of the country should, antecedent to his death, raise *3 per cents.* to *100l.* his heir will then lose by the tax a revenue of only six shillings as formerly, he will possess a remaining capital worth *90l.* and the revenue will acquire a sum of *10l.*

Thus, with all its other advantages, it becomes the peculiar boast of the tax on suc-

cession, that it is the only tax of which it can be stated, that the increase of the produce is the more immediate interest of the subject who pays, than of the public who receives.

FOURTH.

FOURTH.

That the Tax on Succession will form a Substitute for the Tax on Income, without being liable to any of the Objections incident to all Taxes on Income.

IT may be, perhaps, difficult to ascertain the per centage that ought to be laid upon capital to secure, by a tax on succession, a revenue of ten millions, the sum proposed to be raised by a tax on income.

THERE are many attempts to calculate, or rather to guess at, the amount both of the capital and income of the country; but all of them proceed so much upon conjecture, and are so loose and vague, that there can be no reliance

upon them. The produce of the present tax on income will afford better data than any of these speculations for calculating the percentage: it will be necessary to collect from capital passing by succession for the purpose of raising so large a portion of our revenue.

IN the mean time it is clear, that no sum can be collected by a tax on income, which may not be obtained by a tax on capital passing by succession. The grounds have been stated for thinking that it will be liable to none of the objections incident to any of the general classes of taxes;—that it will be attended with less real hardship than any other tax;—that it promises an increase of produce, without oppressing the subject, infinitely greater than those taxes, the small increase of whose produce must be burthensome;—and from the following comparison it will appear, that it
is

is not liable to any of the peculiar objections which must attend the tax on income.

TAX ON INCOME.

1st. As income in no instance forms an accurate criterion of capital, a tax on income must always fall unequally. By taxing the incomes of the landholders, of the proprietors of 3 *per cents*, of annuities on lives, or of farmers and tradesmen, you must levy contributions that bear no uniform proportion to the fortunes of the individuals. This, indeed, may in a degree be remedied by modifications; but it is impossible

totally

TAX ON PROPERTY PASSING BY SUC- CESSION.

1st. In a tax on property passing by succession, there is no source of inequality; it must draw from each contributor a sum in direct proportion to the property he acquires; and the principle on which it proceeds is so sound, that any modification affecting the sum to be paid, must be founded in partiality, and pregnant with injustice.

2dly.

totally to correct an inequality inherent in the principle on which the tax is founded.

2dly. THE tax on income increafes a man's contribution to the state, in proportion as his country benefits by his industry in augmenting his fortune.

It muft, therefore, have the fame general effect in difcouraging all increafe of wealth, that the tythe of the clergy has been found to have in impeding improvements in agriculture.

3dly. A TAX on income does not always fall upon thofe on whom it is feem-

2dly. THE tax on fucceffion never can interfere with the full enjoyment of the property that a man acquires by his industry; and though he knows that a part of it will, at his death, fall to the ftate, it will not check his activity in accumulating; for experience fhews us there is often as much of this fort of industry in men, who have no connections to enjoy their property after their deceafe, as in thofe who have.

3dly. THE tax on fucceffion muft in all inftances fall directly and ulti-

seemingly imposed, and out of whose property the legislature meant to draw it: a tradesman will shift it on his customers, and thus get rid of it in the same manner it was alleged he would avoid the shop-tax. It is obvious, too, that the tax intended by the legislature to be imposed on the income of the farmer will inevitably fall on the rent of the landlord, wherever farms happen to be out of lease.

4thly. A TAX on income makes it necessary for the subject to expose his circumstances annually * to the inspection of an

ultimately upon those who are subjected to the payment by the legislature.

4thly. THE tax on succession can only subject to the eye of the public officer the amount of the fortune with which a man com-

* As the law now stands he is even bound, under a penalty, to disclose any increase of fortune within twenty days after the accruing of the same.—39 Geo. III. cap. 22. *sect.* 27.

an officer; by which his losses, or the degree of his success in the management of his concerns, must be accurately disclosed. An inquisition which Doctor Smith, in his *Wealth of Nations*, declares to be a source of such • endless vexation as no people could support, and which undoubtedly is more particularly irksome in a mercantile country.

5thly. THE tax on income, as at present imposed, must continue to be collected for some time after the conclusion of the war; but the produce of it must diminish with the return of peace. During the last year the charge under the heads of Army, Navy, and Ordnance, exceeded

commences life, and the sums he acquires in addition by inheritance: and this, if published to the world, would in itself be no great hardship; perhaps, indeed, it may be considered as a regulation from whence to the mercantile world public benefit might be derived.

5thly. THE receipt of the tax on succession, it has been already shewn, must increase on the return of peace and prosperity, in a ratio far exceeding the degree of augmentation in the produce of any other tax.

6thly.

ceeded the expenditure as
settled by the Committee
of the House of Commons,
1791, by £.21,335,392 *;
but this sum, amounting
to nearly a fifth of the
supposed income † of the
country, cannot be ex-
pended without increasing
the revenue of many in-
dividuals, the reduction
of whose incomes, on
withdrawing it, must of
necessity

6thly.

* Expenditure, under the heads Army, Navy, and Ordnance, for the year end- ing 5th of January, 1799, as stated in the account on the table of the House of Commons	}	£.25,459,234
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Deduct expenditure under the heads Army, Navy, and Ordnance, as stated in the Report of the Committee of the House of Commons, 1791, page 10,	}	£.4,123,842
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Remains	<u>£.21,335,392</u>
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† See Mr. Pitt's Computation of Income, as stated Ap-
pendix No. 7, of Mr. Rose's Brief Examination.

necessity diminish the receipt of the tax.

6thly. THE triple assessment of last year is said to have been contributed to by only 374,183 housekeepers out of a population of nearly nine millions. It is probable that the tax on income will affect the fortunes of a larger proportion of the population; by this tax, therefore, a given sum of £.10,000,000 would be raised without breaking down the large properties (the existence of which may by some be thought necessary for the preservation of our constitution) in so great a degree as if it was raised by the triple assessment.

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6thly. THE tax on succession will be collected fairly and equally, without any exemption, on the whole property of the kingdom. It must of course draw the given sum to be raised from a much greater share of the population than either the triple assessment or the tax on income. It cannot, therefore, have so rapid an effect in diminishing the larger properties, a circumstance which must be deemed an advantage by those who consider the preservation of such properties as a material object.

THE exemption, however, which it has been thought necessary to extend to all incomes under £. 60, as it diminishes the number of contributors, must accelerate the operation of the tax in reducing the estates of the wealthy.

FIFTH.

That at the Conclusion of the War the Tax on Succession will, by enabling us to arrange our Revenues, and reduce our other Taxes, secure a Permanency of Peace, and empower our Merchants to contend in foreign Markets with a Nation who will be as formidable a Rival in Peace as in War.

HITHERTO, as a trading nation, we have fortunately at all times maintained our superiority over France—but we ought now to reflect, that circumstances are much altered. The situation of a merchant was formerly held disrespectable in France, but now it is to be conjectured that it will be the character the most

most respected. The total abolition of rank leaves no distinction but what wealth creates, and the road to wealth must of course be deemed the path of honour, leading to eminence and distinction. In that country, too, robbery and extortion has so long supplied the extraordinary calls for revenue, that it is much to be doubted whether the enormous expence of warfare has occasioned a proportionable increase in the amount of their taxes.

THE old privileges and immunities which rendered it impossible to collect from France a revenue, proportioned to the real resources of the country, are abolished, and though we may lament the manner in which it has been effected, we cannot hide from ourselves that the abolition of all the feudal tenures, of all the mortmain property, of royal domains, as well as the annihilation of tythe, must place the

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property

property of that country in a position in which it must become much more productive than formerly.

SUCH is the improved situation in which we are likely to find our old rival on the return of peace.

WE, on the contrary, must expect to find ourselves permanently subjected to at least nine millions annually of increased taxation. A large proportion of it collected by taxes on commodities, on which, for the encouragement of our trade, and the arrangement of our revenue, taxes were lowered during the last peace *. We know, too, that there is even
now

* These taxes must, on the return of peace, be again reduced; for there can be little doubt that the same high duties which formerly occasioned smuggling to be carried to so great an extent, must again embark capital in that trade. Indeed this seems to be the opinion of the
present

now a large deficiency in the receipt of the new taxes that have been imposed during the war; and we cannot forget, that at the conclusion of every war the withdrawing the war expenditure has created a great failure in revenue.

IN the year 1783, immediately after the peace, the revenue fell much above a million,

present Chancellor of the Exchequer; for, on proposing the increased duties on brandies, 1794, he is reported to have said, " That under the present circumstances, the
 " reasons that appeared against raising the duties did not
 " exist; and high duties on these articles, instead of
 " being a detriment, was an advantage. When peace
 " came, perhaps the reverse might be the case, and it
 " might become doubtful whether the high duties should
 " be continued."

Since the commencement of the present war, additional taxes have been imposed on articles on which the duties were lowered, during the last peace, to the extent of about three millions annually.

yet the expenditure, during the American war, never exceeded £.20,000,000, and the permanent taxes then amounted to only £.10,000,000. At present our war expenditure exceeds £.30,000,000, and our permanent revenue amounts to upwards of £.20,000,000; premises which lead to melancholy conclusions concerning the state of our revenue on the return of peace.

THESE are the circumstances which make it seem peculiarly desirable that a tax on capital passing by succession should be adopted as a permanent source of revenue.

It appears undoubtedly a more eligible means than the tax on income for raising a large supply within the year, during the war; but this is of little consequence, indeed, in comparison of the advantage the country will derive from it on the return of peace.

WHOEVER

WHOEVER then holds the administration of finance in this country, instead of coming to Parliament with statements which must injure the credit, and impede the growing progress of the wealth of the nation, will find himself possessed of a revenue, the very knowledge of which would increase our credit, and augment our means. The legislature, instead of being cramped by fear and dread of a deficiency in revenue, would have full scope to adapt the system of taxation to the circumstances of the country; to lower those duties which, by enhancing the price of commodities are injurious to our foreign trade; and to foster and encourage the increasing opulence of the nation, by the diminution or repeal of those taxes which appear to be most injurious to our agriculture, or our manufactures; whilst the wealth of the country, increasing from the very circumstance
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of those indulgences, would of course augment the produce of the tax on capital, transferred by succession, and erect it into a rapidly increasing sinking fund for the diminution of our other burthens.

To those who think it certain that the restless ambition, and overgrown power, of France would, even in the event of a peace, speedily attempt to involve us in reiterated hostilities, the tax, as proposed, on succession, must appear peculiarly desirable. By means of it, on the return of peace, instead of being occupied, as heretofore, in patching up with anxiety the deficiencies of a revenue, enfeebled and exhausted with the magnitude of the contest in which we have been engaged, we will exhibit to the eyes of Europe a great and powerful nation, even after the unparalleled exertions we have made, liberating our trade and commerce

merce from the restraint of an unprecedented load of taxation, and possessing known and experienced sources of revenue, laid aside from views of expediency. By resuming which we can at once raise a supply of £.10,000,000 within the year, or a fund sufficient, if mortgaged, to defray the expences (on the most extravagant calculation) of five years reiterated warfare. And this, it is submitted, is the situation, of all others, the most likely to check and discourage the restless enterprize, or ambitious views, of any enemy.

Walthamstow,
June 1, 1799.

WITH

With the tax on capital, passing by succession, there might be easily and naturally combined a system for the gradual improvement of our agriculture, by the sale of mortmain lands, and of the tythes, without injuring (if it should be thought expedient) the present revenue, either of our corporations or of the clergy. But this would require a more detailed explanation than is consistent with a mere statement of the advantages to be derived from the tax.

THE END.

